

FINAL PROMISSORY NOTE

**TO NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING LOAN FUND -also known as-
WASTEWATER FACILITY CONSTRUCTION LOAN PROGRAM**

DATE February 28, 2011

This FINAL Note replaces INTERIM Promissory Note dated December 12, 2005.

FOR VALUE RECEIVED, the **INCORPORATED COUNTY OF LOS ALAMOS** ("Borrower") promises to pay to the order of the New Mexico Environment Department in connection with the State's Clean Water State Revolving Fund Loan Program ("NMED") at NMED's office located at:

New Mexico Environment Department
Construction Programs Bureau
P.O. Box 5469
1190 S. St. Francis Drive
Santa Fe, New Mexico 87502-5469

or at such other place as NMED may hereafter designate in writing, the principal amount of

Fourteen Million Three Hundred Fifty Five Thousand One Hundred Four Dollars and Ninety Nine Cents (\$14,355,104.99)

pursuant to the terms of the Final Loan Agreement, Loan Number 1438143 between NMED and the Borrower dated March 4, 2011 plus 2.5644% for interest and 0.4356% for administrative fee per annum until paid.

REPAYMENT RATE AND SCHEDULE

The principal, interest and administrative fees due and payable on this Note shall be payable as follows: Principal actually loaned and the subsequent interest and administrative fees shall be due and paid according to a Final Promissory Note as described herein.

The Final Promissory Note bears interest at 2.5644% and administrative fees at 0.4356% per annum and shall be amortized over a Twenty year term, with Twenty equal annual installments of Nine Hundred Sixty Four Thousand Eight Hundred Eighty Eight Dollars and Fifty Four Cents (\$964,888.54) beginning April 07, 2011 and each April 7th thereafter through April 07, 2030.

NET REVENUES

The Borrower is giving a security interest by dedicating Net Revenues from the operation of just the sanitary sewer system which is a part of the utility system. Net Revenues of the sanitary sewer system is defined as:

Gross Revenues of the Sewer System after deducting Operation and Maintenance Expenses of the Sewer System.

The system revenues from the operation of the sanitary sewer system have not been pledged to the payment of any outstanding obligations and no other obligations are payable from the Net Revenues of the sanitary sewer system on the date of the Ordinance; and the loan will be payable and collectible solely from the Net Revenues to be derived from the operation of the sanitary sewer system.

ASSIGNMENT

No assignment by NMED or the right to receive payments under this Note shall effect the Borrower's obligations or rights under this Note other than to make payments under this Note at the address designated by NMED to the Borrower in writing.

DEBT SERVICE RESERVE

The Borrower agrees to a Debt Service Reserve Requirement equal to one annual payment of principal, interest and administrative fees. This Debt Service Reserve shall be placed in a separate Debt Service Reserve Account. The Borrower shall deposit no less than one-sixth of the amount of one annual repayment of principal, interest and administrative fee, or \$160,814.76, into this account in each 12-month period beginning at final loan closing and continuing until the full amount of the Debt Service Reserve Requirement of \$964,888.54 is on deposit in the Debt Service Reserve Account. In the event that funds from the Debt Service Reserve Account are used to service the Loan Agreement and the Note, the Borrower shall replenish the Debt Service Reserve Account as soon as possible by depositing funds in the manner described above until the full amount of the Debt Service Reserve Requirement is on deposit in the Debt Service Reserve Account. So long as the Loan Agreement and the Note are outstanding, whether as to principal, interest, or the administrative fee the Borrower shall fund the Debt Service Reserve Account and identify this in the Annual Audit.

REPLACEMENT RESERVE

The Borrower agrees to a Replacement Reserve Requirement equal to five percent (5%) of the Principal amount loaned. The Replacement Reserve shall be placed in a separate Replacement Reserve Account. This Replacement Reserve shall be funded in no less than one-sixth annual increments of 5% of the sum of the final principal amount loaned, or \$119,625.88 in each 12-month period beginning at final loan closing and continuing until the full amount of the Replacement Reserve of \$717,755.25 is on deposit in the Replacement Reserve Account. The Replacement Reserve Account shall accumulate funds to pay for replacement of parts to ensure the Project is fully operational during the term of the Loan Agreement and Note. In the event that funds from the Replacement Reserve Account are used to pay for replacement of parts, the Borrower shall replenish the Replacement Reserve Account as soon as possible by depositing funds in the manner described above until the full amount of the Replacement Reserve Requirement is on deposit in the Replacement Reserve Account. So long as the Loan Agreement and the Note are outstanding, whether as to principal, interest, or the administrative fee, the Borrower shall fund the Replacement Reserve Account and identify this in the Annual Audit.

ANNUAL LOAN REPAYMENT ACCOUNT

An Annual Loan Repayment Account shall be funded from the Net Revenues in the amount necessary for payment of the principal, interest and the administrative fee in the amount of \$964,888.54 due annually under the Loan Agreement and Note. So long as the Loan Agreement and the Note are

outstanding, whether as to principal, interest, or the administrative fee, the Borrower shall fund the Annual Loan Repayment Account and identify this in the Annual Audit.

COLLECTION AND DEFAULT

At the option of NMED, any amount paid by NMED to collect amounts due under this Note or to preserve or protect NMED's rights under the Agreement shall become a part of, and bear interest at the interest and administrative fee rate as set forth in the previous REPAYMENT RATE AND SCHEDULE Section and shall become immediately due and payable by Borrower to NMED upon demand by NMED. Events of default and remedies upon an event of default as described in the Agreement, in Section VIII. Covenants, Paragraphs G. and H., are incorporated herein by reference.

PREPAYMENT

The Borrower may prepay all or any part of the principal on this Note without penalty. Refunds and extra payments, as defined in the regulations of NMED shall, after payment of interest and administrative fees due, be applied to the reduction of principal. After any prepayment of principal, the Borrower shall continue to pay the amounts listed in the Agreement and Final Promissory Note until the entire principal, accrued interest and administrative fees are paid in full.

AUTHORITY

This Note is authorized by the Wastewater Facility Construction Loan Act, NMSA 1978, § 74-6A-1 et seq., as amended, the New Mexico Water Quality Control Commission Regulations, 20.7.5 NMAC, and the New Mexico Environment Department Regulations, 20.7.6 – 20.7.7 NMAC and Ordinance No. 518 for the Incorporated County of Los Alamos.

This Note shall not constitute indebtedness or debt within the meaning of any constitutional, charter or statutory provision, or limitation, nor shall this Note be considered or held to be a general obligation of the Borrower. The obligations of the Borrower under the Agreement and Note are payable and collectible solely out of the Net Revenues as defined in the Agreement and NMED or any other holders of the Agreement or Note may not look to any general or municipal fund for the payment of the principal, interest or administrative fees on the Agreement or Note.

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IN WITNESS WHEREOF, the Borrower has caused this Note to be executed on its behalf by its Mayor and attested by its Secretary (Notary).

Sharon Stover
(Borrower's authorized signature)

County Council Chair
(Title)

February 28, 2011
(Date)

State of New Mexico

County of Las Alamos

Signed or attested before me on 2-28-2011 by Sharon Stover,
date name of person

(Seal, if any)

Melissa A. Salmon
(Signature of notary officer)

My commission expires: 1-7-2014

